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MEMORANDUM FOR: Senior Agency Managers

SUBJECT: Recent and Potential Changes in CIA Management

1. During the four months or so that I have been DDCI, I have been devoting a great deal of my time and attention to the charge given to me under terms of the President's Executive Order 11905, to provide for the day-to-day operation of the Agency and, at the same time, meet Director Bush's charge that I concert the Agency as one institution rather than have a collection of separate components. Accordingly, I have had discussions with the Deputy Directors, heads of offices, and many others in the Agency on a number of very large and troublesome issues. What are our most serious and pressing problems? How should we attack those problems and in what order? What sorts of solutions seem most promising? In short, we have been grappling with questions about the past, present, and future management of CIA.

2. At this juncture, we still have far more questions than answers, but we have covered a fair amount of territory. Some ideas that were amorphous a few weeks ago are beginning to take on shape and substance. Some others have died a well-deserved death. I want to set forth here, in considerable detail, just what we have done, what is under active consideration, and what is not—in part for your information but more importantly to give you a source of readily available, authoritative answers to the many questions you are being asked by your co-workers and subordinates. Rumors are a natural and inescapable consequence of changed leadership and new perspectives, but we would like to feel that we have done everything we can to keep all our employees as well informed as possible on the facts, so that we can avoid the unnecessary personal uncertainty and institutional disruption that comes from ill-founded speculation.

3. Within days of being sworn in, I reviewed the proposed 1978 budget and—working with the Deputies and the Comptroller—made some difficult decisions about the distribution of people and funds. In that review, a number of fundamental problems became apparent, notably our need for an effective central planning and evaluation mechanism, our lack of precise knowledge about the functions and specialities of our people, the absence of any coherent policy that would ensure

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the maximum effective use of building space in the Washington area, the need for a clearer definition of our requirements for covert action capabilities in the future, and the need to better control ADP costs. Actions to remedy these deficiencies were put in train immediately after the Program Review, and those actions have subsequently been integrated into the management system we are evolving.

4. As you know, the Executive Advisory Group was established on 22 June, replacing the former Management Committee. I serve as Chairman, the Comptroller as Vice Chairman. The four Deputy Directors and the General Counsel are full-time members, and in addition the EAG is augmented by others on specific topics on an ad hoc basis. EAG usually meets twice weekly (Tuesdays and Thursdays) to consider major Agency-wide issues and to set the stage for policy and planning decisions. In making these decisions, I confer daily with Director Bush who, of course, remains the authoritative head of our Agency.

5. One overriding issue has been the thread connecting virtually every EAG session to date: What are the goals of CIA? We began with the conviction that we had to decide just what needed to be accomplished by CIA within the next year or so before we could reasonably expect to be able to achieve anything substantial. And, since almost every change made to date—whether organizational or in the nature of special assignments for a dozen or so individuals—has been in response to one or another facet of the goals question, we have structured the progress and prospect report that follows around the five goals upon which the EAG has agreed and the more numerous specific questions we have committed ourselves to address in the next several months.

Goal: We must sharpen our capability to give policy-makers what they really need.

6. Put so baldly, the single most urgent requirement facing the Agency sounds like nothing more than a truism. But the EAG is addressing itself to a great many fundamental questions about our service to our customers that have not, to date, been satisfactorily answered. In the analytical field, we are concerned with improving our ability to interpret all consumer needs, determining how we can satisfy the growing substantive intelligence needs of Congress, figuring out how CIA elements can maintain and strengthen links to customers when customer relations responsibilities have been assigned in large part to the NIOs, ensuring that we maintain and strengthen both our basic research capabilities and our ability to respond rapidly to the immediate needs of policy-makers, and creating a mechanism that will ensure that the low-probability but high-impact analytical hypothesis is brought to the attention of policy-makers. We are looking for ways to improve performance of our crisis management and strategic warning responsibilities and to make our products more widely available.

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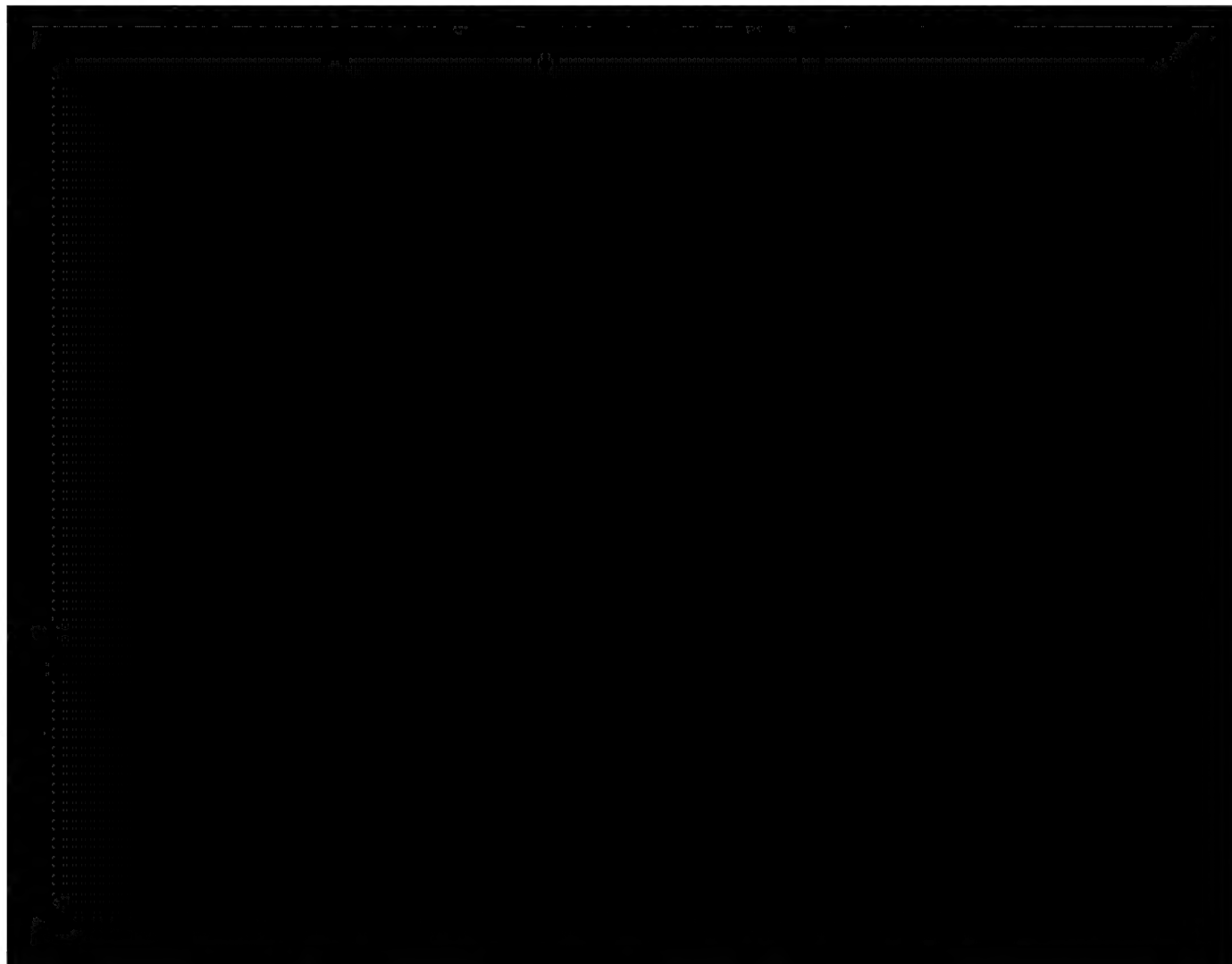
8. Although we are still adding to the list of questions to be faced, we have begun to take specific steps aimed at obtaining some answers in fairly short order. The DDI, Dr. Sayre Stevens, has presented several alternative organizational and procedural proposals that would reshape the components that produce finished intelligence and enhance their ability to provide the new kinds of product being sought by customers. A related question is whether any reorganization should include integration of the two DDS&T production offices--the Office of Weapons Intelligence and the Office of Scientific Intelligence--with those now in the DDI. An outside consulting firm has been engaged to give us independent recommendations. We intend to reach some firm decisions on the organization and procedures of the production offices by the end of this year.

9. Once these fundamental questions about organization have been settled, Dr. Stevens will turn his attention to other, more specific, questions such as those about customer relations, Congressional needs, and wider dissemination of the product. We currently plan to address these matters in the EAG early in calendar 1977.

25X1A 10. I have assigned [REDACTED] as my Special Assistant with the responsibility for recommending changes in our crisis management and strategic warning procedures in an effort to improve our performance in these neglected areas. The EAG expects to review the results of his study in March. In addition, because of the urgency and magnitude of the international terrorism problem, I appointed Cord as the centralized point of reference in the Agency with which the Department of State can deal on intelligence matters concerned with terrorism. He is in direct contact with Ambassador Douglas Heck, Coordinator of the President's Cabinet Committee to Combat Terrorism.

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14. One of the fundamental questions about the relationship between CIA programs and other Community programs involves Signals Intelligence--SIGINT. This issue has been raised repeatedly in the past; it has been resurrected most recently by the House Appropriations Committee. As a result, a special three-man task force was established in July. [REDACTED] serves as the Chairman and is assisted by [REDACTED] and Jim Hirsch from Office of ELINT. The three-man team is examining all Agency COMINT and ELINT activities and will provide us with recommendations on which specific programs are essential to the missions of this agency and which are principally contributors to national needs and could as well be managed by some other community organization. The task force is also looking at the organization of the SIGINT effort, [REDACTED] it will give us recommendations for reorganization of activities that should remain solely

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in the CIA program. And it is looking at ways that SIGINT from other community elements could better serve the needs of CIA. The task force has met with the EAG five times so far; its final recommendations are due by the end of January 1977, and they will be the basis for a report to the DCI, the CFI, and the Congress on what changes, if any, we propose to make in time for implementation by 1 October 1978.

15. An obvious question that arises after addressing these issues is the future size, shape and direction of the Directorate for Science and Technology. At its first meeting, the EAG considered a proposal for dispersing the functions of the Office of Research and Development to other components but decided against it, believing that the possible damage to basic research outweighed the personnel savings that would have resulted. We are not yet taking any other specific steps to consider the future of the Directorate; until we have decided what to do about OWI and OSI and what to do about that portion of the SIGINT effort now housed in DDS&T, any such action would be premature.

16. Another aspect of the performance problem is space. Work areas should be an incentive; they should enhance our efforts, not hamper them. I am concerned about the apparent inequities in both quantity and location of space. Mr. John Blake, the DDA, has given the EAG a factual presentation on the current situation, and he has been charged with developing an overall policy statement to guide future space decisions.

Goal: We must establish an effective Agency management process that will enable us to coordinate and integrate activities of all directorates and make effective plans for the future.

17. The specific questions being addressed in reaching for this goal involve mechanisms for near-term decisions and for better planning. In accordance with the DCI directive, we need to ensure that the Agency is one organization, not four. We must in the near term develop evaluation techniques that will assist us in resource allocation and assure ourselves that we can make trade-off decisions wisely. And we must prepare ourselves for making the "right" decisions about investments in future capabilities. To do this, we have to develop better, more specific ways of projecting the intelligence requirements of the 1980s. We need to decide rather soon what satellite [REDACTED] systems will be needed, as well as what kinds of collaborative DDO/DDS&T operational efforts will be required and how such joint efforts can best be managed.

18. A number of changes, beginning with establishment of the EAG, have already been made in our efforts to improve Agency management and planning. The Comptroller's Meetings, through which month-to-month decisions on resource allocations are made throughout the year, have been folded into the regular EAG cycle. The former Collection Guidance and Assessments Staff

has been moved from the DDI to the Office of the Comptroller, to ensure that there is a direct relationship between resource decisions on the one hand and intelligence judgments and requirements on the other. Renamed the Requirements and Evaluation Staff, this group will henceforth have greater access to internal evaluations of all Agency components and will have a ready channel for making a collective judgment to the Executive Advisory Group. The Office of the Comptroller has been further expanded by the addition of the former NIO for Special Activities--now the Special Assistant to the Comptroller for Strategic Intelligence (SA/SI). The particular responsibility of the SA/SI, [REDACTED] is to ensure that the Agency takes well-conceived and carefully directed cross-directorate approaches to difficult collection problems involving a combination of technical and clandestine techniques. [REDACTED] has met twice to date with the EAG, to report on projects currently underway and to discuss possible approaches to managing future projects. As a result, a new project management approach has been agreed to.

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19. One major management issue is personnel levels. We face many conflicting demands for personnel increases, and I want to be able to consider such demands in the light of the overall personnel balance. As a first step in that direction, the Comptroller and the DDA are developing guidelines for an inventory of our current uses of people, since we must know what the balance is before we can decide whether it is appropriate.

20. Concurrently, the DDS&T, Mr. Leslie Dirks, has been charged with proposing procedures for developing more concrete ideas of future intelligence challenges and the possible requirements for major new systems in the next decade. Both technology and the nature of the intelligence questions we face are changing very rapidly. Moreover, the restrictions placed on the clandestine collection activities of the Agency by E.O. 11905, make it apparent that we must turn increasingly to technical collection systems for fulfillment of our analytical requirements in certain areas.

21. We are trying to take the first step toward development of a better planning process in the next two months. One result of the new organization of the Intelligence Community structure is that we will henceforth receive guidance figures on our total permissible budget from the Committee on Foreign Intelligence before the budget is first compiled by the components. Using the preliminary figures for 1979 developed by the components as part of the 1978 Program Review, we plan to have one or two EAG meetings in December that will consider the major policy questions that will arise in connection with the 1979 Program. The idea here is to guide the development of that budget in advance so we can be sure it will be a vehicle for achievement of specific, well defined objectives and not simply an extension of current trends. Given the fact that major changes are taking place that undermine the premises upon which preliminary 1979 plans were formulated, both the components and the EAG will have considerable difficulty in addressing an overall strategy. But by the combined efforts of the EAG members a workable program can be effected.

22. The period of intensive investigation and public attention to the Agency has ended, but we have a great deal of work to do to improve our Congressional and public relations. We need to strive for far more than simply reestablishing the level of communication and understanding that existed before 1975. We must adjust to a whole new way of life. We will be living with a far more intensive level of Congressional oversight than in the past, and we have recognized that there is a new legitimacy to reasonable degrees of public scrutiny of American intelligence. We are confident all of these adjustments can be made without disclosing sensitive intelligence sources and methods--disclosures which would inflict unacceptable damage on us. As a matter of fact, we will be pressing ahead with the new Congress to get stronger secrecy legislation to protect sources and methods.

23. The investigations and reviews have made American intelligence--what it is and what it is not--a fit subject for public consideration. Right now, the public mood appears supportive of intelligence activities but the public wants them to be well advised and controlled. The Director and I, recognizing the need for public understanding of our mission and roles, believe it is advisable and necessary to continue to speak openly and candidly about the CIA and the Intelligence Community, once again without violating secrecy and the need to protect intelligence sources and methods. To assist in this important task, Mr. Andrew Falkiewicz has joined us as Assistant to the DCI and is taking a fresh look at how best to address it.

24. As to media relations, Mr. Falkiewicz has been named chairman of a new Publications Review Board which will look at unclassified articles proposed for publication in open literature by CIA personnel. The Board will review articles not only for security implications but also for an assessment of potential public impact. The general charge is to ensure that we are at one and the same time more forthcoming with information and more alert to the potential consequences of what we provide. We intend to review existing policies on both public and press relationships in the EAG in early 1977.

25. Good working relations have been established with the new Senate Select Committee on Intelligence. Experiences with the Committee members have been uniformly encouraging, particularly with regard to the Committee's understanding of the need for secrecy and security, and personnel throughout the Agency report favorably on their initial contacts with the Committee and its staffers. The Senate Appropriations Committee has recently appointed a full-time staffer, Mr. James Fellenbaum, to handle intelligence--a development that provides us with the opportunity for developing a strong relationship with the second of the two key committees in the Appropriations process. The Legislative Counsel, Mr. George Cary, has had a couple of discussions with the EAG on recent developments in the Congressional relations area, and he has prepared a draft notice on procedures for coordination of Congressional relations that will be reviewed by the EAG.

Goal: We must strengthen our command and control arrangements to ensure that we are protected from improprieties.

26. Underlying this simple-sounding goal are a number of very thorny questions. Intelligence is a business in which originality, imagination, and risk-taking are essential ingredients of success. But we are--and want to be--part of a uniquely American system which depends for its strength on the rule of law. How can the inherent creativity of our people be enhanced while all of us are assured of the legality and propriety of our actions? What can we do to reconcile operational demands with legal restrictions? Internally, what combination of regulations, guidance, inspection, review and reporting will protect our integrity without degrading our effectiveness?

27. As one early step toward answering some of these questions, the Inspector General, Mr. John Waller, has formulated and the EAG has approved an initial short-term IG inspection plan that will cover all components and identify potential problem areas for more careful study. These initial inspections will be completed by the end of this year. In addition, the General Counsel, Mr. Anthony Lapham, will discuss with the EAG his proposals for improving guidance on legal restrictions--proposals based primarily on the concept that we should develop specific, detailed guidance for each category of Agency employees facing a particular set of problems, rather than attempt to develop general guidance for all employees on all possible problems. In a third phase of this effort, Mr. Waller and Mr. Lapham have jointly alerted the EAG to the set of potential problems growing out of real or apparent conflicts between operational requirements (e.g., cover considerations) and local--as opposed to Federal--laws and regulations. The EAG has set up a task force (led by Mr. Lapham and consisting also of the four Associate Deputy Directors, the Assistant Comptroller for Resources, 25X1A [REDACTED] of my office, and Mr. Waller) to provide an interim report by 4 November on the following matters:

- how we should impart keener awareness of Headquarters regulations to all employees in order to ensure that we remain within our established operating framework;
- how we can ensure that each group of employees gets all the guidance it needs and a minimum that is irrelevant to its needs;
- what further steps we can take to guarantee individual employees ample opportunity to surface problems that trouble them;
- how we can improve the communication of additional guidance as appropriate from top management to individual employee; and
- what steps we should take to deal with the problem of possible conflict between operational needs and established laws.

28. Another question facing the EAG is the appropriate role of CIA in assisting foreign governments in procurement actions undertaken in the U.S. To date, each such case has been handled as it arose, without specific guidelines. This is one of many areas in which I would like to see some broad policies and regularized review processes develop, so we do not find ourselves with commitments and involvements that subsequently prove detrimental to CIA. The EAG has asked the DDA to draft a proposed statement of policy, including explicit criteria for our involvement, and accompanying proposals for a review process; we expect to review his proposals in the EAG in December.

Goal: We must improve our personnel policies for the benefit of the Agency, its employees, and its applicants for employment.

29. This last goal is in fact one essential for development of all the others. Our basic resource and key to success is people—and that means individuals, not some abstract—like positions, or some aggregate—like intelligence officers or secretaries. We must, of course, continue to hire the best possible people in the first place. But we want to ensure that we do everything possible to capitalize on the strengths of each individual. The EAG will be taking a very hard look at all the personnel policies and practices that have developed over time. We want to promote career development opportunities and early-career training and assignment practices. We want to relate the intelligence needs of the 1980's to the hiring decisions of the present. We will look at the existing career service structure, to determine if it truly serves our needs; in a related area, we will continue to take advantage of opportunities for cross-directorate experience. We want to develop means for giving greater recognition to superior individual performance and clearly establish means for early recognition of less than adequate performance.

30. We will continue to give very special attention to our EEO program. The record of the last several years has been poor, but we are determined to improve in this area. The Office of Personnel has been directed to take concrete steps in the EEO area. The most important single decision that shapes our EEO progress is the decision on who is hired and who is not; for minority applicants, that decision will now be made by the Deputy Directors, and they will be directly accountable to me for their decisions. In addition, I have instituted a new system under which the Deputies report directly to me, in detail and on a quarterly basis, on EEO progress.

31. As a first step toward tackling the general personnel issues, which are important to every Agency employee, the DDA provided the EAG with initial recommendations on October 20. In that meeting, the EAG approved a proposal for EAG review of nominations to key operating positions, and the Office of Personnel and the Comptroller have been charged with developing a system. In addition, EAG asked Personnel

to formulate detailed proposals on uniform promotion and separation policies and on the supervisor's role in training and developing newly hired employees. We will also be looking more closely at rotation policy and our personnel mix. We expect to make changes in these areas, but not precipitate ones. We have evolved our existing practices over many years, and we are not interested in change for its own sake. We want to be sure that the new approaches we take to these old problems are significant improvements.

32. In a slightly longer time frame, the EAG also wants to look at all current Agency training programs, to make sure that they are relevant to the needs of our employees. And we want to look at an area of particular interest to me--the question of whether there is a real or perceived difference in status accorded those in our service elements and those in our more widely known collection and production elements and, if so, what can be done to end that difference. We currently plan to address these issues in the EAG in early 1977.

What has really changed?

33. With all the references above to studies, proposals, pressing questions and as yet unresolved problems, it is easy for those without direct access to the proceedings of the EAG and the daily decisions of the management of the Agency to conclude that little fundamental difference has been made since July. I, for one, believe that things have changed already and that further substantial change will occur in the next several months.

34. In this regard, it is important to look at specifics. The long-standing desire for more unification and less parochialism in the Agency's four parts has been translated into a number of new appointments to senior posts--appointments of individuals from different parts of the Agency and of individuals from outside. These initial top level appointments are leading to an increase in cross-directorate assignments at lower levels; we are determined to encourage this trend. The individuals on the SIGINT Task Force have been detached from their components and are reporting directly to me; they are developing an Agency position on SIGINT, rather than two Directorate positions that would have to be reconciled. The first Semi-annual report to the National Security Council on sensitive activities was reviewed by the EAG and revised in accordance with its instructions; this is precisely the sort of document that would have been handled bilaterally between the DCI and one Deputy in the past. Similarly, the EAG dealt collectively with the specific issues arising out of Congressional action on our 1977 budget. Also in the resource area, we are developing a prioritized list of those planned 1977 projects and expenditures of least value to the Agency as a whole, so that any funding adjustments we have to make during the year will reflect conscious choices about what to do and what to forego.

34. In summary, I believe we are making progress in meeting the terms of E.O. 11905; we have started in the new directions called for by Director Bush who seeks a "one-Agency" solution to past problems; we enjoy new and strong support within the Executive, in the Senate, and among the public at large; and we have the satisfaction of knowing that our daily, bread-and-butter work in support of the government has not been disrupted; that work continues and can be improved: Working together, improvement is assured.

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E. H. Knoche

Deputy Director of Central Intelligence